

HOUSE BILL NO. 778

INTRODUCED BY STAHL, HIMMELBERGER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN EXEMPTION FROM TAXATION FOR OIL AND GAS
5 WELLS, WORKING INTERESTS, AND NONWORKING INTERESTS OWNED BY THE STATE OR A LOCAL
6 GOVERNMENT; AMENDING SECTION 15-36-304, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
7 AND A RETROACTIVE APPLICABILITY DATE."
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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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11 **Section 1.** Section 15-36-304, MCA, is amended to read:

12 **"15-36-304. Production tax rates imposed on oil and natural gas -- exemption.** (1) The production
13 of oil and natural gas is taxed as provided in this section. The tax is distributed as provided in 15-36-331 and
14 15-36-332.

15 (2) Natural gas is taxed on the gross taxable value of production based on the type of well and type of
16 production according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
17 (a) (i) first 12 months of qualifying production	0.5%	14.8%
18 (ii) after 12 months:		
19 (A) pre-1999 wells	14.8%	14.8%
20 (B) post-1999 wells	9%	14.8%
21 (b) stripper natural gas pre-1999 wells	11%	14.8%
22 (c) horizontally completed well production:		
23 (i) first 18 months of qualifying production	0.5%	14.8%
24 (ii) after 18 months	9%	14.8%

25 (3) The reduced tax rates under subsection (2)(a)(i) on production for the first 12 months of natural gas
26 production from a well begins following the last day of the calendar month immediately preceding the month in
27 which natural gas is placed in a natural gas distribution system, provided that notification has been given to the
28 department.
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1 (4) The reduced tax rate under subsection (2)(c)(i) on production from a horizontally completed well for
 2 the first 18 months of production begins following the last day of the calendar month immediately preceding the
 3 month in which natural gas is placed in a natural gas distribution system, provided that notification has been given
 4 to the department.

5 (5) Oil is taxed on the gross taxable value of production based on the type of well and type of production
 6 according to the following schedule for working interest and nonworking interest owners:

	Working	Nonworking
	Interest	Interest
7 (a) primary recovery production:		
8 (i) first 12 months of qualifying production	0.5%	14.8%
9 (ii) after 12 months:		
10 (A) pre-1999 wells	12.5%	14.8%
11 (B) post-1999 wells	9%	14.8%
12 (b) stripper oil production:		
13 (i) first 1 through 10 barrels a day production	5.5%	14.8%
14 (ii) more than 10 barrels a day production	9.0%	14.8%
15 (c) (i) stripper well exemption production	0.5%	14.8%
16 (ii) stripper well bonus production	6.0%	14.8%
17 (d) horizontally completed well production:		
18 (i) first 18 months of qualifying production	0.5%	14.8%
19 (ii) after 18 months:		
20 (A) pre-1999 wells	12.5%	14.8%
21 (B) post-1999 wells	9%	14.8%
22 (e) incremental production:		
23 (i) new or expanded secondary recovery production	8.5%	14.8%
24 (ii) new or expanded tertiary production	5.8%	14.8%
25 (f) horizontally recompleted well:		
26 (i) first 18 months	5.5%	14.8%
27 (ii) after 18 months:		
28 (A) pre-1999 wells	12.5%	14.8%

1 (B) post-1999 wells 9% 14.8%

2 (6) (a) The reduced tax rates under subsection (5)(a)(i) for the first 12 months of oil production from a
3 well begins following the last day of the calendar month immediately preceding the month in which oil is pumped
4 or flows, provided that notification has been given to the department.

5 (b) (i) The reduced tax rates under subsection (5)(d)(i) on oil production from a horizontally completed
6 well for the first 18 months of production begins following the last day of the calendar month immediately
7 preceding the month in which oil is pumped or flows if the well has been certified as a horizontally completed well
8 to the department by the board.

9 (ii) The reduced tax rate under subsection (5)(f)(i) on oil production from a horizontally recompleted well
10 for the first 18 months of production begins following the last day of the calendar month immediately preceding
11 the month in which oil is pumped or flows if the well has been certified as a horizontally recompleted well to the
12 department by the board.

13 (c) Incremental production is taxed as provided in subsection (5)(e) only if the average price for each
14 barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter
15 is less than \$30 a barrel. If the price of oil is equal to or greater than \$30 a barrel in a calendar quarter as
16 determined in subsection (6)(d), then incremental production from pre-1999 wells and from post-1999 wells is
17 taxed at the rate imposed on primary recovery production under subsections (5)(a)(ii)(A) and (5)(a)(ii)(B),
18 respectively, for production occurring in that quarter, other than exempt stripper well production.

19 (d) (i) Stripper well exemption production is taxed as provided in subsection (5)(c)(i) only if the average
20 price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during a
21 calendar quarter is less than \$38 a barrel. If the price of oil is equal to or greater than \$38 a barrel, there is no
22 stripper well exemption tax rate and oil produced from a well that produces 3 barrels a day or less is taxed as
23 stripper well bonus production.

24 (ii) Stripper well bonus production is subject to taxation as provided in subsection (5)(c)(ii) only if the
25 average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil during
26 a calendar quarter is equal to or greater than \$38 a barrel.

27 (e) For the purposes of subsections (6)(c) and (6)(d), the average price for each barrel must be
28 computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall
29 Street Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

30 (7) (a) The tax rates imposed under subsections (2) and (5) on working interest owners and nonworking

1 interest owners must be adjusted to include the total of the privilege and license tax adopted by the board of oil
2 and gas conservation pursuant to 82-11-131 and the derived rate for the oil, gas, and coal natural resource
3 account as determined under subsection (7)(b).

4 (b) The total of the privilege and license tax and the tax for the oil, gas, and coal natural resource account
5 may not exceed 0.3%. The base rate for the tax for oil, gas, and coal natural resource account funding is 0.08%,
6 but when the rate adopted pursuant to 82-11-131 by the board of oil and gas conservation for the privilege and
7 license tax:

8 (i) exceeds 0.22%, the rate for the tax to fund the oil, gas, and coal natural resource account is equal
9 to the difference between the rate adopted by the board of oil and gas conservation and 0.3%; or

10 (ii) is less than 0.18%, the rate for the tax to fund the oil, gas, and coal natural resource account is equal
11 to the difference between the rate adopted by the board of oil and gas conservation and 0.26%.

12 (c) The board of oil and gas conservation shall give the department at least 90 days' notice of any
13 change in the rate adopted by the board. Any rate change of the tax to fund the oil, gas, and coal natural resource
14 account is effective at the same time that the board of oil and gas conservation rate is effective.

15 ~~(8) Production from a well owned by the state or a local government or a working interest or nonworking~~
16 ~~ANY interest IN PRODUCTION owned by the state or a local government is exempt from taxation under this section."~~

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18 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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20 NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the
21 meaning of 1-2-109, to production on or after December 31, ~~2006~~ 1995.

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